

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, 17th Floor
Sacramento, California 95814

REG-2007-00015

INITIAL STATEMENT OF REASONS

In a public hearing on May 3, 2007 at 10:00 A.M., the Insurance Commissioner will consider (1) the approval of pure premium rates developed by the designated rating organization; (2) amendments to the California Workers' Compensation Uniform Statistical Reporting Plan—1995, Title 10 CCR §2318.6; and (3) amendments to the California Workers' Compensation Experience Rating Plan—1995, Title 10 CCR §2353.1. The hearing will be held in response to a filing by the Workers' Compensation Insurance Rating Bureau of California ("WCIRB") submitted on March 30, 2007.

Pursuant to Insurance Code Sections 11734 and 11751.5, the Insurance Commissioner has designated the WCIRB as his rating organization and statistical agent. As the designated rating organization and statistical agent, the WCIRB has developed and submitted for Insurance Commissioner approval pure premium rates and revisions to the California Workers' Compensation Uniform Statistical Reporting Plan—1995 and the California Workers' Compensation Experience Rating Plan—1995. The pure premium rates will be advisory only; however, adherence to the regulations contained in the California Workers' Compensation Uniform Statistical Reporting Plan—1995 and the California Workers' Compensation Experience Rating Plan—1995 is mandatory.

The pure premium rates recommended by the WCIRB to be effective July 1, 2007, as well as proposed revisions to the regulations to be effective July 1, 2007, are set forth in its filing and are summarized below:

APPROVE PURE PREMIUM RATES

Pursuant to California Insurance Code Section 11750.3, the WCIRB has proposed advisory pure premium rates for approval by the Insurance Commissioner to be effective July 1, 2007 with respect to new and renewal policies as of the first anniversary rating date of a risk on or after July 1, 2007. The proposed advisory pure premium rates are 11.3% less than the January 1, 2007 advisory pure premium rates approved by the Insurance Commissioner.

AMEND THE CALIFORNIA WORKERS' COMPENSATION UNIFORM STATISTICAL REPORTING PLAN—1995

The WCIRB recommends amending the California Workers' Compensation Uniform Statistical Reporting Plan—1995 (USRP). These amendments are proposed to become effective July 1, 2007 with respect to new and renewal policies as of the first anniversary rating date of a risk on or after July 1, 2007.

1. Part 1, "General Provisions," Section I, "Introduction," Rule 3, "Effective Date," be amended to show that the effective date of the amended USRP is 12:01 A.M., July 1, 2007.
2. Part 3, "Standard Classification System," Section VI, "Administration of Classification System," be amended to address the audit requirements related to 2006 legislation (Assembly Bill No. 881), which requires each policy written for a C-39 licensed contractor to be audited and to clarify the applicability of the change in the physical audit threshold from \$16,000 to \$10,000 that was adopted effective January 1, 2007.
3. Part 4, "Unit Statistical Report Filing Requirements," Section I, "General Instructions," be amended to clarify the timing of the unit statistical report filing requirements.
4. Part 4, "Unit Statistical Report Filing Requirements," Section II, "Definitions," be amended to clarify the example pertaining to final premium to indicate that any surcharges for policyholder audits charged by the insurer pursuant to provisions in 2006 legislation (Assembly Bill No. 881) are to be included in reported final premium amounts.

AMEND THE CALIFORNIA WORKERS' COMPENSATION EXPERIENCE RATING PLAN—1995

The WCIRB recommends that the following amendments to the California Workers' Compensation Experience Rating Plan—1995 (Experience Rating Plan) be approved effective July 1, 2007 with respect to new and renewal policies as of the first anniversary rating date of a risk on or after July 1, 2007.

The WCIRB recommends that:

1. Section I, "General Provisions," Rule 2, "Effective Date," be amended to show that the effective date of the amended Experience Rating Plan is 12:01 A.M., July 1, 2007.
2. Section III, "Eligibility and Experience Period," Rule 1, "Eligibility Requirements for California Workers' Compensation Insurance," be amended to adjust the eligibility requirement from \$16,000 to \$14,192 to reflect the amendments in pure premium rates proposed in this filing.

3. The expected loss rates shown in Table II, “Expected Loss Rates and Full Coverage D-Ratios,” be amended to reflect the most current loss experience available.¹

¹ The WCIRB is not proposing any changes to the “D-ratios” contained in Table 2.